

El Paso Economic Development System Review & Recommendations

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Executive Summary

Greater El Paso's current economic development effort is compromising the region's prospects for improved levels of prosperity and quality of life. The City's economic development operation has been weakened badly by staff departures and uncertainty over its mission and the economic development organization tasked with marketing and recruiting for the region lacks the full support and cooperation of community stakeholders it needs to be successful. Meanwhile, threats to the long-term prosperity of the region are not being addressed systematically and potential economic development opportunities are being neglected.

Two major actions are needed to rectify the problem:

1. *The City of El Paso should re-tool and appropriately staff its Economic Development Division as well as implement internal organizational reforms to better align the City's planning, development services, and economic development functions.*

Among the recommendations detailed in the report are: to hire a director to oversee and manage the integration of the City's planning, development services, and economic development functions; to hire a deputy director to rebuild and lead a revived Economic Development Division; to raise the Economic Development Division's level of professional competence through re-orienting its core mission and hiring appropriate staff; to reform the City's agency portfolios to bring development-related departments more closely together; to undertake a comprehensive review and reform of standing regulations to remove needless hurdles in the development process; to commission an assessment of the City and region's economic development incentives and to then make any necessary adjustments to ensure the incentives programs are appropriately competitive; to move aggressively to a more customer-friendly and responsive development review and permitting process; and to build a stronger public information function that communicates City goals and accomplishments, encourages community dialogue around economic development issues and alternatives, and facilitates City Council's strategic leadership and oversight roles.

2. *Community leaders in the corporate, education, non-profit, and military sectors must join with public sector appointed and elected officials to (re)form, appropriately resource and govern an organization charged with coordinating the creation of a broad-based, transparent, and continually updated regional economic development strategy; coordinator of the implementation of that strategy, in cooperation with the City and the many specialized development organizations in the region; and either implementer or oversight agent of the region's business attraction, expansion, retention, and marketing programs.*

This recommendation acknowledges that the region currently stands at a debilitating impasse. El Paso has a lead economic development organization—the El Paso Regional Economic Development Corporation (REDCo)—that is designed and equipped to implement only a narrow range of economic development strategies: marketing and business attraction. In addition, REDCo currently lacks full stakeholder support, undercutting its ability to act effectively and to leverage resources. As noted above, the City’s economic development function is presently weakened and therefore not positioned to take a lead role. In any case, as a single jurisdiction the City is not an ideal lead agent for a regional effort.

The impasse must be bridged, whether it is to reform and re-energize REDCo to deliver marketing and recruitment services under the oversight of a wholly new organization, to locate all functions in a new organization and disband REDCo, or to bring about a merger or reconfiguration of existing organizations such as REDCo, the Paso del Norte Group, and the Greater El Paso Chamber of Commerce.

El Paso would benefit significantly if it had a regional economic development organization with the capacity to coordinate the creation and implementation of a broad-based regional economic development strategy, one in which a wide array of strategies are joined up, properly resourced, and tracked for outcome and impact.

This report, commissioned by the City of El Paso, details the rationale for the two core recommendations and provides additional detailed guidance. The recommendations call for actions from three categories of stakeholders:

- City government, to undertake the restructuring and internal reforms necessary to assume greater discretionary authority in the implementation of programs and policies related to economic development;
- City Council, to contribute strategic leadership while empowering City staff to exercise appropriate professional discretion in creating and implementing economic development initiatives for the City itself and as a partner to a regional effort; and
- Private and public community leaders, to champion and lend tangible assistance with the creation of an organizational vehicle for the kind of public-private collaboration that is driving economic development in many other major city-regions in the United States.

The recommendations also call for stronger integration of physical, land use, and economic development planning activities, a trend in international best practice in local

and regional economic development. Today economic development practice extends well beyond traditional marketing, business recruitment, and retention strategies to include efforts in infrastructure development, transit planning, quality of life improvement, workforce development, community development, technology-based economic development and entrepreneurship.

Global Context

The situation in El Paso is urgent. The United States, Canada and other advanced industrialized countries (AICs) in Europe and Asia are facing unprecedented economic competition from developing countries around the world. Countries like China and Brazil are not just growing rapidly. They are also making substantial investments in infrastructure, research and development (R&D), and education in order to capture higher value, higher technology economic activity *today*, bucking traditional (and now outdated) wisdom that they will remain low-value manufacturing and call center sites for goods, innovations, and services developed and refined in AICs. Evidence of a trend toward increased off-shoring of R&D and advanced business services—not just product assembly—by AIC-based companies, as well as international comparisons of investments, growth trends, and competition policies, suggest those strategies are working and that the prospects for steady erosion in the relative standard of living in AICs are real.

U.S. cities and regions ignore global trends at their peril. Residents and leaders of the City of El Paso, sitting as they are at the center of the largest international metroplex in the world, are highly attuned to global economic dynamics. Yet the City and the region as a whole lack an economic development strategy that fully recognizes, mitigates, and leverages those dynamics.

Although individual organizations—the City’s Planning and Economic Development Department, the El Paso Regional Economic Development Corporation, the chambers of commerce, UTEP, and Workforce Solutions, among others—contribute valuable individual programs and initiatives, there is no coherent overall strategy. Even more importantly, there is no recognized and widely endorsed means of arriving at such a strategy. Debates about where to direct economic development resources and energy tend to be ad hoc and highly politicized, and choices over particular initiatives that have a long-run bearing on the region’s development trajectory—e.g., REDCo’s recruitment targets, plans for downtown redevelopment, the City’s SmartCode and related incentives, UTEP’s bid to raise its research standing, the development of the Medical Center of the Americas—are viewed in isolation rather than as linked and mutually dependent. The result is a de facto regional economic development effort that collectively “punches well below its weight.”

Study Charge & Approach

This study's specific charge was to investigate whether the government of the City of El Paso is organized to pursue economic development effectively. The answer to that question depends very much on the configuration and characteristics of economic development activity in the region as a whole. Since the City of El Paso is only one player, getting the City's economic development apparatus right is contingent on getting the region's economic development effort right. Consequently, the report's recommendations apply to a broader group of stakeholders than City Hall alone.

The ideas laid out in this document are based on a review of existing reports, inspection of the City's current economic development apparatus and staffing, and the assembly of views gathered through two rounds of interviews with community stakeholders and two presentation and question/answer sessions before City Council. Dozens of interviews were held in September and October 2011, in person and by telephone. The findings were developed from the information assembled and juxtaposed with best practice in U.S. local and regional economic development. The recommendations were then based on those findings.

Introduction

This report addresses three questions pertinent to the design and functioning of the economic development effort of the City of El Paso:

1. How well organized is the government of the City of El Paso to pursue economic development effectively, given national and global trends and the specific challenges facing the region?
2. What are the views of key stakeholders about the challenges and opportunities facing the region and the region's capacity to address them?
3. Should the City reorganize its economic development division within the Planning and Economic Development Department or consider a larger reorganization, to include possible transfer of some or all functions to an external organization, via partnership or contracting arrangement?

The assessment was commissioned by the City Manager and the Planning and Economic Development Department. Major information inputs include opinions collected through approximately 35 semi-structured interviews of community leaders and economic developers conducted by the author during site visits in August and October (see Appendix Table 1); views and perspectives gathered through two presentations before City Council and subsequent question and answer sessions; a review of existing documents describing the economic development activities of the City and other organizations in the region or analyzing the El Paso and Paso del Norte economies; and assembly of basic data on the organizational approaches to economic development in several comparison cities (Denver, Colorado; Houston and San Antonio, Texas; Tucson, Arizona; Kansas City, Missouri; and Milwaukee, Wisconsin). The comparison cities represent slightly different ways of designing and implementing economic development strategies at the city and metropolitan levels.

The Local Context

The City of El Paso is the center of a growing metropolitan area, but also a challenged one. At 800,641 residents recorded in the 2010 Census, the El Paso metro is 5th largest among 25 metropolitan areas in Texas. Its population growth between 2000 and 2010 was a reasonably robust 17.8 percent, 85th fastest among 366 metros nationwide, although considerably slower than other major metros in Texas. In comparison, the population of the Austin metropolitan area expanded by 37.3 percent over the decade; McAllen by 36.1 percent; Houston by 26.1 percent; San Antonio by 25.2 percent; and

Dallas-Fort Worth by 23.4 percent.² At current trends, McAllen-Edinburg-Mission will overtake El Paso as Texas' 5th largest metropolitan area in 2013.³ The expansion of troops and their family members at Fort Bliss, along with population added through Bliss-related multiplier-driven services activity, is creating an uptick in El Paso's growth trend in the early part of this decade, but the region's development trajectory will not shift substantially without the development of a broader mix of industries.

Slower population growth relative to other major cities in Texas is not necessarily bad. A more measured pace of expansion is easier for municipal and county governments, school districts, and other public service providers to manage. However, El Paso's challenge is that its growth is being driven principally by lower technology and comparatively lower wage services and government sectors. Per capita gross domestic product in the region, a measure of average income, stood at \$33,754 in 2010 (see Figure 1), slightly less than 80 percent of the value for all U.S. metropolitan areas as a group. El Paso's per capita GDP expanded by just 1.0 percent in real terms between 2001 and 2010, compared to 5.7 percent for all U.S. metros. That rate matched San Antonio's 1.0 percent and exceeded Houston's (which fell by 2.2 percent in real terms), but was well below Austin's 13.1 percent increase.⁴ El Paso has among the nation's highest overall poverty rates and it experienced the 2nd fastest rate of increase during the 2000s in the number of its poor living in extreme poverty neighborhoods.⁵ The growth it has enjoyed in government, health, and social services is a double-edged sword, as it is partly driven by a growing low income population that requires a broad array of services.

² The report uses shorthand names for the metropolitan areas for convenience. Austin refers to Austin-Round Rock-San Marcos; McAllen to McAllen-Edinburg-Mission; Dallas-Fort Worth to Dallas-Fort Worth-Arlington; and San Antonio to San Antonio-New Braunfels.

³ Based on a simple extrapolation of compound annual growth; all population data are from the U.S. Census.

⁴ Gross domestic product figures by metropolitan area are from the U.S. Bureau of Economic Analysis GDP data series, all industry totals.

⁵ Kneebone, Elizabeth, Carey Nadeau, and Alan Berube, *The Re-Emergence of Concentrated Poverty: Metropolitan Trends in the 2000s* (Washington, DC: Brookings Institution, November 2011). Concentrated poverty was measured over the period 2000 to 2005-09 using data from the *American Community Survey*. Extreme poverty neighborhoods are defined as those where at least 40 percent of individuals live below the federal poverty line. By 2005-09, 10.5 percent of the poor nationwide live in such neighborhoods. Nearly 35 percent of El Paso's poor live in extreme poverty areas.

Of course, El Paso statistics mask a major part of the El Paso story. The city is part of the largest international metropolis in the world, part of a major cross-border manufacturing, logistics, and distribution hub. With Ciudad Juárez's estimated 1.5 million people, the Paso del Norte region approaches 2.2 million residents, a region comparable in size to San Antonio, Pittsburgh, Portland, Sacramento, Orlando, and Cincinnati. It is a highly unique North American regional economy, heavily dependent on the maquila zone on the Mexican side of the border, which is linked to El Paso directly through transportation and distribution activities and indirectly via services provided to the Mexican population and to American and other U.S.-resident executives and personnel of the maquilas. Links to Mexico are also important via a growing network of expatriate entrepreneurs who are choosing to start businesses in El Paso.

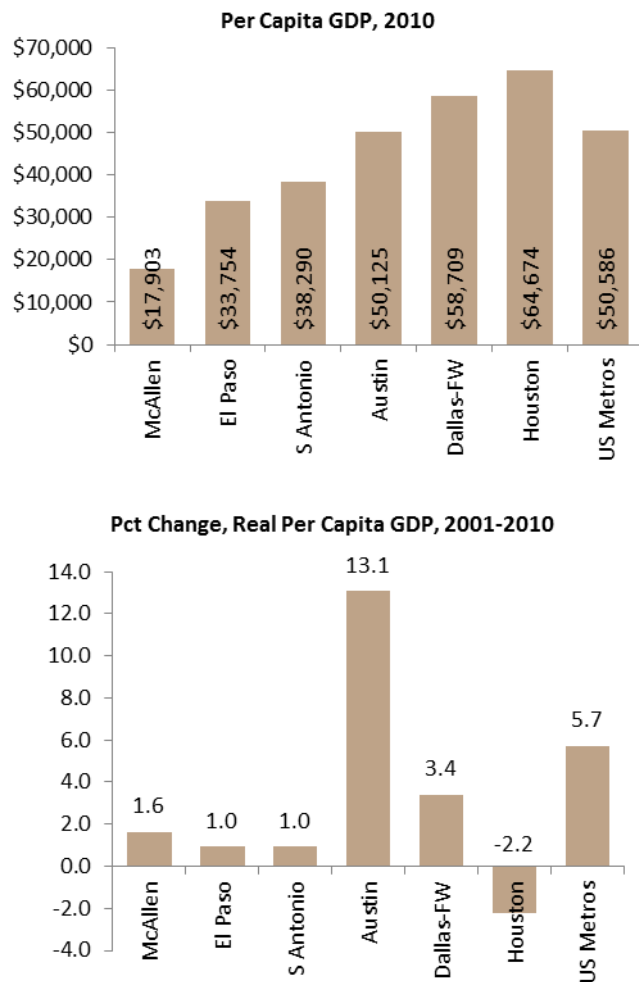


Figure 1. Income profile, major Texas metros

From one perspective, El Paso's economy has out-performed many other U.S. metro economies and the U.S. as a whole during the 2000s, after weak performance during the 1990s.⁶ Employment growth was driven prior to the 2008 recession by a strong construction sector, which was then buoyed after the downturn by expansion at Fort Bliss. From a portfolio standpoint, El Paso is hurt by its relatively high concentration in manufacturing—a sector that is losing jobs precipitously nationwide and in El Paso as well—but has enjoyed strong relative growth in government (military and non-military),

⁶ This claim is based on an analysis of industry mix and growth relative to the U.S. over the forty year 1969-2009 period. Details provided upon request.

health care, and social assistance. Its current unemployment rate is high, standing at 10.6 percent in September 2011, which places it among the highest 20 percent of metro areas, below McAllen (at 12.3 percent) but well above Houston (8.6 percent), Dallas-Fort Worth (8.3 percent), San Antonio (7.9 percent), and Austin (7.4 percent).⁷

What characterizes the El Paso and Paso del Norte economies today is considerable uncertainty. El Paso's future rests strongly on its proximity and links to Mexico but the high level of drug related violence in Juárez, along with enhanced border security, has reduced the ease of economic and social interaction between the two economies. The military and manufacturing sectors have long been twin El Paso growth engines. Fort Bliss looks to remain a source of economic stability but the region has had little success capturing higher value defense-related industries. Likewise, the region's other current manufacturing-related economic development targets—automotive, clean technology, and electronics—have yielded little growth in recent years, even in the period preceding the current recession. Aside from the troop expansion of Fort Bliss, the region's current most significant economic development opportunity is the development of the Medical Center of the Americas, which may eventually anchor an economic advantage in life sciences and medical devices.

The Global Context

The United States and other advanced industrialized countries (AICs) in Europe and Asia are facing unprecedented economic competition from fast-growing developing countries around the world. Countries like China and Brazil are not just growing rapidly. They are also making substantial investments in infrastructure, research and development (R&D), and education in order to capture higher value, higher technology economic activity today and buck traditional wisdom that they will remain low value manufacturing and call center sites for goods, innovations, and services developed and refined in high income AICs.⁸ Evidence of a trend toward increased off-shoring of R&D and advanced business services—not just product assembly—by AIC-based companies, as well as international comparisons of investments, growth trends, and competition policies suggest these strategies are working and that the prospects for steady erosion in the relative standards of living in AICs are real.

⁷ Unemployment rates are from the U.S. Bureau of Labor Statistics, Civilian labor force and unemployment by state and metropolitan area, not seasonally adjusted, released 2 November 2011.

⁸ Atkinson, Robert D, and Scott M Andes, *The Atlantic Century II: Benchmarking EU and US Innovation and Competitiveness* (Washington, DC: Information Technology and Innovation Foundation, July 2011).

Economic uncertainty in El Paso has to be viewed in the context of economic uncertainty nationwide. Job growth in the United States was unusually sluggish prior to the financial collapse of 2008 and, while output growth has returned, the employment picture remains very poor. Real average incomes have stagnated and, at some levels, have reversed themselves, accelerating a trend toward income inequality. The problem is not merely cyclical and will not be a matter of simply waiting for a return to the robust employment growth trajectory that characterized the 1990s. The challenge the U.S. faces is what economic role it will assume in an increasingly global economy in which other countries are competing effectively in an increasingly diverse array of industries. Regions must continually assess their competitive positions within national and global trends, identify economic niches that will be resilient to international competition, and marshal and deploy scarce resources to cultivate those niches.

Economic Development in El Paso: Stakeholder Views

A major component of the project involved interviewing stakeholders from all major organizations involved in some capacity in economic development in El Paso. Each interviewee was asked to identify concerns associated with the City and region's economic development efforts. This section summarizes the key findings from those interviews.

There is a debilitating lack of consensus about the approach to economic development that would best benefit El Paso and the broader region. Some stakeholders understand economic development as marketing and attraction of inward investment, principally via business prospecting or recruiting. This view conditions their impression of whether the City's economic development approach is working or not; they evaluate the City's activities through a narrow lens, namely whether or not REDCo's recruitment activities are successful. Others see economic development as something that should involve a wide range of activities from business attraction, to retention, to entrepreneurship and economic gardening. Those stakeholders are more likely to view the City's wide range of planning and policy initiatives as part of an implicit economic development strategy and are often more positive about what the City is trying to accomplish. On the other hand, they often also view a heavy emphasis on business recruitment, and particularly the use of location incentives, as misguided.

Some of the disagreement about what the City might do, or could do better, can be traced to variation in the level of understanding of best practice in economic development generally. Fewer and fewer U.S. regions view economic development as principally involving industrial recruitment. That is especially the case in those parts of the country—the Midwest and Northeast—that have had little success in recruitment for many years. Business attraction has remained a viable strategy in the Southeast and Southwest for a longer period, but it is an increasingly challenging game even in those regions for two reasons.

First, the competitive bases on which many southern states have sought to compete for site locations—comparatively low labor, land, and energy costs—have eroded with the trend toward off-shoring on the one hand, and a gradual closing of the cost gap between cities in the Southeast, Southwest, West, Midwest, and Northeast, on the other. Second, companies based in the U.S. are increasingly competing on the quality of human capital, the use of advanced infrastructure, and continuous product and service innovation. Fewer and fewer companies are susceptible to attraction activities in the traditional sense and those that are seeking locations are often looking for a diverse mix of regional assets that extend well beyond factor cost concerns. The economic development strategies of southeastern and southwestern cities and regions need to adapt to place greater emphasis on skilled labor, physical and knowledge-based infrastructure, amenities, and quality of life assets. In an era of slower growth, economic development will also be a slower, steadier game that rewards sustained investment in regional assets and overall coherence in policies and programs.

Therefore, part of the challenge for El Paso is to educate stakeholders, including residents and their elected officials, about the range of economic development interventions cities and regions are undertaking around the country and the specific options that will best benefit the region. This educational function, which becomes an important foundation for arriving at a working consensus underpinning a sustained, coherent effort, needs to be undertaken systematically, and preferably on an ongoing basis, by an entity that has appropriate legitimacy among an overwhelming majority of stakeholders. At present, there is no organization—in the public, private, or non-profit sectors—that is positioned well to play this role in El Paso and the broader region.

The City of El Paso and the Paso del Norte region currently lack an articulated economic development strategy and strategy-making process. Strategy is defined in best-practice terms as a valid diagnosis of challenges and opportunities, a set of guiding policies to address those challenges and capture those opportunities, and a set of coherent and coordinated actions implementing the guiding policies.⁹ Ideally, the City of El Paso's strategy would be nested within a broader regional strategy, preferably one that includes Ciudad Juárez and southern New Mexico (the Paso del Norte region). Moreover, the strategy would not be viewed as something that is fixed, but rather as a mix of diagnoses, policies, and actions that are continually revisited and revised as economic conditions change and new threats and opportunities arise. The term "articulated" denotes a strategy that is sufficiently documented and disseminated so that a clear message about the City's approach is communicated to a diversity of stakeholders and citizens. More importantly, the strategy becomes a working guide for

⁹ Rumelt, Richard, 2011, *Good Strategy, Bad Strategy* (London: Profile Books).

evaluating development options as they arise, introducing a critical element of continuity in economic development planning.

No stakeholder interviewed for the preparation of this report claimed that the City and region are operating with a coherent overall strategy in place, although selected stakeholders pointed positively to specific initiatives (e.g., Medical Center of the Americas, downtown redevelopment, Mayor John Cook's 2005 Regional Economic Summit, among several mentioned). Agreement that a legitimate process for developing and maintaining a strategy is needed is widely shared. When asked about the City and region's strategy, some stakeholders pointed to REDCo's target clusters. However, identifying sectors or clusters as targets for recruitment does not constitute an economic development strategy, though targeting can be one element of an overall strategy, provided the rationale for the targets is compelling, the means of hitting the targets promises reasonable likelihood of success, outcomes are measured reliably and in a transparent way, and the targets are continually revisited.

That some stakeholders seem to equate REDCo's five recruitment targets as the region's principal economic development strategy is problematic. As noted above, business recruitment is a low impact strategy for most U.S. regions in either good times or bad. The City and region's failure to successfully recruit industry in recent years—albeit a failure which can be partly traced to the U.S. recession—is diverting attention from other issues on the City's economic development agenda and obscuring some positive initiatives and achievements. This underscores the need for a well-articulated and widely communicated overall strategy in which recruitment is situated as just one element, and probably as among the least important elements.

REDCo's activities lack transparency and its legitimacy among many key corporate stakeholders is low. REDCo is principally a marketing and business attraction entity and achieving success in industrial recruitment has been very difficult in recent years. Certainly a dearth of successful projects will challenge the legitimacy of any recruiting organization. However, concerns expressed by stakeholders about REDCo's activities are not simply about near-term results. They include issues related to the limited or incomplete reporting of project activity, expenditures and outcomes; an ongoing high rate of staff turnover (i.e., the absence of a stable recruiting team); the reticence of some major corporate stakeholders and potential partners to view REDCo as the lead agent for industrial recruitment in El Paso; and concerns over a potential conflict of interest associated with REDCo's remit to recruit business to both El Paso and Juárez. This study was not charged with assessing the validity of any of these claims. The key issue for this report is that REDCo currently lacks the kind of broad stakeholder and endorsement it needs to be truly effective.

Many stakeholders view the City as hostile to economic development. The view appears to derive from two sources. First are growing restrictions on private land

development as the City has sought to implement smart growth policies and new urbanist design concepts. Second is an overly cumbersome process of development review and permitting that produces higher costs and delays.

Some conflict over the form physical developments take is unavoidable. Indeed, this kind of conflict has been increasing in many U.S. cities over the last two decades, particularly in the Southeast, Southwest, and West, which have experienced high rates of population expansion and concomitant rising citizen concerns over the costs of that growth. Escalating fuel costs, a shift toward knowledge-intensive economic activity that is sensitive to the amenity demands of highly skilled workers, recognition of the need for live-work alternatives to diversify and resuscitate distressed downtowns, and evidence of a moderate shift in consumer preferences toward higher density urban forms have spurred the development of smart growth policies introducing a mix of new density and design guidelines.¹⁰ Those guidelines are a significant departure from past development practices in many communities, especially cities like El Paso where planning has traditionally exercised few controls, and a certain level of disagreement and conflict between the development community, city officials, and other stakeholders is the natural result.

The solution from an economic development standpoint is to consider and adopt new development guidelines in the context of an overall economic strategy that reflects the specific conditions and opportunities facing the region and a compelling vision of the region's long-run development trajectory. No region can transition rapidly from the form of low-density, automobile-dependent urban form that characterizes most of the U.S. to the high densities and mix of transit options that the central cores of the nation's largest cities enjoy. In few regions would such a transition make sense and, indeed, very few smart growth supporters advocate a shift from one extreme to another. The fact is that physical development choices and options are inherently contentious issues in most cities, more so during periods of economic distress when the temptation to abandon all restrictions is at its peak. Open debate characterized by a high level of trust among all stakeholders, guided by a long-run vision of what the region can and wishes to become, is essential to managing the conflict.

The fact that El Paso and the Paso del Norte region lacks an overall economic strategy that links physical and economic development exacerbates conflict and perceptions of contradiction in the City's approach to economic development. Some stakeholders believe the City is schizophrenically trying to grow the region on the one hand,

¹⁰ Lewis, Paul G, and Mark Baldassare, 2010, "The complexity of public attitudes toward compact development," *Journal of the American Planning Association* 76 (2): 219-37.

principally via the activities of REDCo and its own incentives programs, and curtail growth on the other, via its land planning and regulatory initiatives. This view reflects confusion over the linkage between two areas of public intervention—regional economic development broadly and site and neighborhood or district-level land use planning—as well as a fair assessment of the (low) degree of coordination between REDCo and the City. It is essential that policies governing economic and physical development work in concert; good land use planning and urban design will yield amenities that many skilled workers increasingly demand, build quality infrastructure that companies need to be successful, and manage public service costs. However, the connection between the two areas of intervention must be articulated clearly in the context of an overall regional economic development strategy. Failure to do so is undermining El Paso’s initiatives and progress in both areas.

The City’s system of development review and permitting is another factor contributing to the view that it is hostile to economic development. Three major issues were raised by various stakeholders. First, the physical and organizational process used by the City to manage development applications places a heavy burden on the applicant to navigate a complicated City bureaucracy. There is no case management system in place and applicants who require multiple permits or levels of review are passed from one station, office, or work team to another without a central point of guidance. Second, applications can be stalled or even reach an impasse because of conflicting rulings or interpretations of code requirements within different departments or divisions within them. There is no fixed internal policy for resolving such internal conflicts, short of taking the issue to the City Manager, an inefficient system of resolution. Third, contradictions or archaic regulations in the City code introduce needless bottlenecks which then require resolution, which is then not easy to achieve for the reason noted previously.

The City’s shift to the council-manager form of government remains incomplete, adversely affecting economic development in various ways. Several stakeholders noted that the voters’ decision in 2004 to adopt a change in charter from a strong mayor to a council-manager form of government is still being implemented, with important implications for economic development. Thus, the challenges facing the City in the area of development review, regulation, and management should be placed in context. Correctives to poorly functioning procedures will take time to rectify and vestiges of El Paso’s long tradition of district representatives taking an activist hand in the day-to-day operations of the City, which necessarily politicized City affairs to a high degree, are still in evidence and will take time to fully dissipate. It was widely recognized at the time of the shift that a thorough review of codes, operating procedures, and policies would be

necessary to move fully to the new form of government.¹¹ The process should be accelerated as much as possible. Likewise, members of Council and City staff must find a working relationship that reinforces rather than undermines coherence in economic development policy. It is worth noting that El Paso's business community supported the shift in government form because of the previous lack of cohesiveness in City management and policy.¹²

One important illustration of the lack of cohesion in policy making was the process by which City Council decided to dedicate 75 percent of a new franchise fee levied on El Paso Electric to the Medical Center of the Americas Foundation to support the development of the 440 acre medical campus, and a portion of the remainder in a contract to support entrepreneurship programs. At issue in the context of this report is not the decision itself, but the fact that significant investments in a highly resource-constrained environment would be determined without reference to a broader regional economic strategy and without the major involvement of all major stakeholders.

Another illustration is the occasionally contentious process of approval of development incentive applications. Projects are sometimes reviewed and recommended by staff but then publicly criticized and even rejected by City Council. The public reputation of the applicant may be damaged as a result and a message that elected officials and City staff are not working in concert is communicated widely. Most applicants view being subjected to such a process as a significant breach of faith and an indication of dysfunctionality on the part of the City. While Council has a critical role to play in leadership and oversight of the City's functions, repeated dissension from staff recommendations implies an absence of coordination, trust, and working professionalism among elected and appointed officials that will undermine economic development significantly over the long-term.

El Paso's incentives may be insufficient to succeed in industrial recruitment. A number of stakeholders believe El Paso's limited success in industrial recruitment stems from a weak package of incentives. It was not in the remit of this project to undertake a review of the City and region's incentives. However, two general statements may be made about location incentives that have a bearing on this assessment. First, location

¹¹ Okubo, Derek, 2005, "A time for a change: El Paso adopts the council-manager form," *National Civic Review*, Fall, pp. 3-9.

¹² Ibid, p. 5.

incentives are routinely overestimated as an economic development tool.¹³ Research evidence of their decisiveness in business location choices is very limited and even advocates of their use in the economic development profession usually acknowledge that incentives act principally as a “tie breaker” when two or more communities match a business’s needs in more fundamental ways (labor force availability, infrastructure, amenities, etc.).¹⁴ Moreover, government incentives programs touch only a small share of the overall number of jobs created in a community. For example, based on data from the Texas Comptroller and the U.S. Bureau of Labor Statistics, in any given year in the State of Texas, the number of jobs promised by companies receiving various job creation incentives together with predicted multiplier jobs constitutes roughly 2.2 percent of all new jobs resulting from business openings or expansions.¹⁵

Second, controversy about incentives has the potential to distract attention from other important debates that need to occur if a strong economic development strategy is to be created. The debate about the relative importance of incentives as an economic development tool has been long-running and will not be resolved any time soon. The subnational economic development “arms race” in the U.S. has continued apace and few communities are prepared to take the risk of unilaterally “disarming” by eliminating or

¹³ For example, one study of one of North Carolina’s major tax incentive programs found that under 4 percent of all new jobs attributed to the location and expansion incentive were actually *induced* by the incentive itself (i.e., they would not have been created in the absence of the incentive). See Luger, Michael I, and Suho Bae, 2005, “The effectiveness of state business tax incentive programs: The case of North Carolina,” *Economic Development Quarterly* 19: 327-45. See also Weiner, Jennifer, 2009, “State business tax incentives: Examining evidence of their effectiveness,” New England Public Policy Center Discussion Paper 09-3, December, Federal Reserve Bank of Boston.

¹⁴ “Deal or no deal: Why incentives have become more transparent and how their role has increased in the site selection process,” *Business Briefing*, June 2007 (Cushman & Wakefield, Inc.).

¹⁵ The figure was estimated by taking an annual estimate of jobs that award recipients have committed to create as reported in the Texas Comptroller of Public Accounts’ Texas Incentive Grid database, applying a typical multiplier of 1.7 to forecast the number of induced jobs, and comparing the result to annual Texas job opening and expansion figures from the Business Employment Dynamics series of the U.S. Bureau of Labor Statistics. Note that most studies show that a significant share of businesses receiving awards do not actually go on to create the jobs they initially project and thus never actually claim the incentives they are awarded. Accounting for that fact probably reduces the ratio of total incentives-related jobs to total jobs from openings and expansions to well less than 1.5 percent. At this level, the public sector’s ability to “move the economic needle” via targeted job creation incentives is very limited.

scaling back incentives substantially. Moreover, no amount of evidence about the limited effectiveness of incentives will dislodge intense belief in them as a development tool among some stakeholders.

For these reasons, a reasonable course of action for El Paso is to assemble and market an appropriately robust incentives mix, i.e., one that is not exceedingly generous and therefore fiscally unsound nor one that is considerably weaker than competitor cities and regions. A key component of a good incentives mix is flexibility or discretion; the ability to target the incentive to promising (and hopefully transformational) projects at the levels needed to secure the location, expansion, or retention. In turn, maintaining flexibility in incentives use requires a high level of collaboration of regional stakeholders, since a multi-organizational effort is usually needed to provide the resources, contacts, or expertise to identify and close significant deals. In that sense, it is not possible to fully de-couple the incentives mix itself from the City and region's capacity to deploy the mix effectively.

El Paso lacks a “think tank” independent from government that is charged with developing economic and demographic scenarios and helping to evaluate policy options in support of economic development. Such think tanks provide an important support function for long-range economic development planning, helping to sustain a focus on longer-term concerns. In principal, this kind of function could be housed within city government. In practice, such a function often works better as an external organization supported by the private sector, education, or foundation sources. An example is the Center for Houston's Future, an independent not-for-profit that was formed as the research arm of the Greater Houston Partnership, which itself is designated as the lead economic development organization for the Houston region. Independence from government permits greater latitude in considering and evaluating options.

Area universities are often a vital resource for sustained research on the evolution of the regional economy and independent assessments and evaluations of policy and program options. The University of Texas at El Paso's Institute of Policy and Economic Development (IPED) once played this role and could continue to do so if it was appropriately re-energized with the necessary resources and staff. Alternatively, either UTEP's new Institute for Global Competitiveness or the Paso del Norte Group could develop this type of function.

The City of El Paso's internal economic analysis, policy analysis, and economic development strategic planning capacity is considerably weakened. The Economic Development Division with the Planning and Economic Development Department has lost roughly half of its staff in the past 12-18 months. In addition, even before those losses, the Division had not built a significant capacity to do the kinds of applied research and policy analysis needed to guide the City's economic development programs or to effectively liaise with external planning and research organizations.

Even if a non-governmental economic think tank were to be formed in El Paso, the City's economic development operation would still require a certain level of in-house analytical and planning expertise if it is to both inform and absorb the work of outside partners.

There is no organization in El Paso that is currently viewed as credible and effective enough to develop and coordinate the implementation of a regional economic development strategy. Like many regions, El Paso has many organizations contributing in various capacities to the overall economic development of the city and region. The widespread view among stakeholders interviewed for this report is that roles and responsibilities among organizations are unclear, efforts are duplicated in some areas, and that some coordinative function is needed.

Most economic development organizations in El Paso are appropriately focused on what would be specific elements of any regional plan: the Downtown Management District for downtown redevelopment, Workforce Solutions Upper Rio Grande for workforce development, the Hub of Human Innovation for business incubation, etc. Several organizations are more broadly constituted and could potentially assume a lead role, including the City of El Paso, the Regional Economic Development Council (REDCo), the Paso del Norte Group, and the Greater El Paso Chamber of Commerce. However, none of these organizations have taken on regional strategic planning for various reasons.

As noted above, the City's Economic Development Division within its Planning and Economic Development Department has suffered from the departure of staff, limited staff ability and capacity, and uncertainty over its role. Even setting those issues aside, it is not evident the City would be best placed to serve as the lead organization in a regional effort. Not only is the City of El Paso only one stakeholder in the region, albeit a very important one, few purely public sector economic development agencies have proven successful in engaging the private sector as fully as is necessary to build a working consensus and catalyze truly transformative initiatives.

REDCo's mission is currently defined narrowly around marketing and industry recruitment and there are widespread concerns about its effectiveness in those areas. The limited nature of its remit means that it has neither the expertise nor the credibility to take the lead on the development and coordination of an overall strategy. While that remit might be expanded, with appropriate adjustment of internal capabilities and staffing, retaining an organization that is tightly focused on recruitment and associated marketing, so that its charge is clear and straightforward to evaluate, is probably to the City and region's advantage.

As an organization of major business leaders interested in the future of El Paso, the Paso del Norte Group has undertaken some strategic initiatives that could form the basis of a

regional economic plan. However, thus far it has purposely declined to engage in public policy debates in a sustained and systematic way. Membership in PDN is also closely controlled and the organization prefers to exercise its influence privately, practices which preclude it from assuming a legitimate leadership role. Likewise, the Greater El Paso Chamber of Commerce built a model as a narrower business membership organization and general advocate for the private sector after the decision was made to spin out business recruitment to REDCo and assign responsibility for business retention and expansion to the City. The Greater El Paso Chamber has not sought to take the lead in regional strategic planning, nor is it resourced or staffed currently to do so. The result is a kind of organizational and policy vacuum with respect to planning and executing a regional economic development strategy.

Organizing Economic Development: Comparison Cities

To help inform recommendations as well as interpret the stakeholder views summarized above in the context of economic development practice elsewhere, the planning and economic development functions in six cities were investigated. Those summaries are detailed in Appendix Table 2.

At the municipal level, the economic development, physical development, and planning functions are highly interdependent. Municipalities have considerable power to shape the economic development trajectories of their jurisdictions and, by extension, their broader regions. However, the decisions cities make with regard to planning, review, permitting, and regulation of physical development and land use are at least as important as their initiatives and programs in the economic development arena. Moreover, their activities in the areas of community development and housing must also be components of any comprehensive economic development strategy. Therefore, in studying each case city's economic development operations, an effort was made to summarize both the municipal economic development and planning functions as well as any regional economic development efforts.

Two general findings are evident from the summaries provided in Appendix Table 2, results which are consistent with the findings of other observers of local economic development practice in the U.S.¹⁶ First, although the ways cities and regions structure their economic development efforts organizationally and bureaucratically vary widely, they tend to fall on a continuum characterized by centralization of most economic development activities in city government at one extreme (Milwaukee is the closest example in the comparison mix) and out-sourcing of economic development to a

¹⁶ See Blakely, Edward J, and Nancey Green Leigh, 2010, *Planning Local Economic Development* (Los Angeles, Sage).

private, non-profit or authority at the other extreme (e.g., Kansas City or Tucson). Although there is at least one regional economic development organization in the vast majority of U.S. metropolitan areas, the structure and programmatic focus of the organizations vary significantly.

Second, the organization of economic development in many cities is in flux and there is no model that is widely viewed as “best practice.” Kansas City, for example, out-sources the management of city economic development programs to the not-for-profit Economic Development Corporation (KCEDC) of Kansas City, a move intended to improve effectiveness and efficiency. However, KCEDC has faced significant criticism over the last several years over its management of the city’s TIF programs, among other things. In 2010, KCEDC was faced with proposals to refold some activities back into city government.¹⁷ The City of San Antonio manages its economic development programs through an International and Economic Development Department, the result of a significant restructuring undertaken in 2010 to cut costs and duplication.¹⁸ The department focuses on center city redevelopment, industrial development, and small business, while delegating primary authority for business attraction to the San Antonio Economic Development Foundation. On paper, the overall effort is organized not unlike El Paso’s, with selected economic development functions housed in City Hall and attraction the primary responsibility of an external organization. San Antonio also has a Center City Development Office alongside its Economic Development Department, with both entities reporting independently to the same deputy city manager.

Two cities with approaches that may be particularly instructive for El Paso are Houston and Denver. The City of Houston operates municipal programs through three agencies: the Economic Development Division of the City of Houston Finance Department (development, implementation, and management of incentives programs); a one-stop business center; and an Office of Business Opportunity focused on promoting growth among minority, women-owned and disadvantaged businesses. Core economic development activities associated with creation, attraction, retention, and expansion are delegated to the Greater Houston Partnership, which itself was formed through the merger of three regional organizations (the Houston Chamber of Commerce, the Houston World Trade Association, and the Houston Economic Development Council). Houston thus has a clear delineation of economic development responsibility and a

¹⁷ Vockrodt, Steve, “Reforming Kansas City’s Economic Development Corporation may not be the answer,” *Kansas City Business Journal*, 28 March 2010.

¹⁸ Baily, W Scott, “San Antonio leaders say expanding global reach is key to economic growth,” *San Antonio Business Journal*, 17 October 2010.

regional organization with a broad scope and credibility. Houston has also avoided to a large degree the proliferation of competing regional organizations or players in the economic development arena.

Like Houston, the City of Denver organizes selected economic development activities in-house (in the Denver Office of Economic Development) and delegates some activities to a regional organization, the Metro Denver Economic Development Corporation (itself an affiliate of the Denver Metro Chamber of Commerce). There are two key differences with Houston, however. First, the Denver Office of Economic Development seeks to integrate both community and economic development programs and initiatives, which include its own programs as well as those of the Department of Community Planning and Development, describing its mission as one of community economic development. Second, the city's economic development leadership team is comprised of not only the director of the Office of Economic Development, but also the director of Development Services, Denver's one-stop shop for all land development construction projects and assistance with zoning, plan review, building permits, construction, and inspection for commercial and residential projects. Development Services is located in the Department of Community Planning and Development.

Recommendations

This section outlines specific recommendations intended to address many of the issues identified above and substantially strengthen El Paso's approach to economic development. There are two core recommendations.

- First, the City of El Paso must substantially strengthen its economic development operation within City Hall. Part of that strengthening must be better alignment between the City's planning, development review and permitting (broadly, "development services,"), and economic development activities.
- Second, stakeholders in the broader community of El Paso must embrace a regional collaborative approach to economic development, preferably led by an appropriate regional organization structured as a public-private alliance. Community leaders in the corporate, education, non-profit, and military sectors must join with public sector appointed and elected officials to form, resource and lead an organization charged with developing and guiding the implementation of a bold, broad-based and transparent regional economic development strategy. That organization may also assume a delegated role as the City's lead organization for the core functions of business recruitment, retention, and expansion, or in an oversight capacity for those functions.

The City's Economic Development Function

There must be an effective and focused internal economic development function within City Hall to assist with the integration of physical and economic development concerns; to develop, implement, manage, and report on City incentives programs; to conduct and commission economic analyses and studies to inform the City's planning efforts; to and to serve as an effective liaison to regional economic development initiatives.

The City's economic development function is not aligned well with its planning and development services activities. Its regeneration should be designed to ensure maximum integration of planning, development services, and economic development.

Specifically, the City should:

1. ***Undertake a hiring program to appropriately staff the City's Economic Development Division.*** This should be done regardless of other *internal* organizational adjustments and shifts proposed below or the initiation of a major *external* regional economic development effort. Specific internal organizational arrangements are secondary to clarifying the City's economic development mission and putting additional talented staff in place. Moreover, even if a much stronger external regional approach to economic development is undertaken, the City needs a properly staffed internal economic development operation to serve as an effective partner to that regional effort.
 - 1.1. ***Staffing should be guided by a reorientation of the mission of the Economic Development Division to focus on the following core activities:***
 - 1.1.1. *Ongoing strategic planning* for the City of El Paso's economic development effort, which should inform and align with the City's comprehensive plan and dovetail with any regional strategic planning effort. Inputs into any economic development strategic planning include regional economic trends analysis, industry cluster analyses, and demographic analyses, as well as coordination with non-governmental organizations and stakeholders. Planning and economic analysis efforts should be undertaken on an ongoing basis, preferably regularly disseminated in a series of reports or profiles that can inform other economic development efforts in the region. A key next step is to carefully assess the existing skill set of staff currently in the division and to design position descriptions and undertake recruitment in order to fill gaps.
 - 1.1.2. *Development, implementation, management and evaluation of City of El Paso incentives programs*, to include impact analysis, performance monitoring, and recommendations and reports to Council. Given departures to the ED staff in recent months, there may no longer be personnel in place with the skills to conduct necessary impact analyses

and other evaluation assessments. This should be rectified as soon as possible.

- 1.1.3. Operation of a *one-stop-shop assistance center* to provide help primarily for small businesses with permitting, access to incentives, and connections to non-governmental organizations which seek to provide more specialized support and services (in areas of workforce development, entrepreneurship support, financing, etc.).
- 1.1.4. Serve as the City's liaison and lead partner to any regional organization charged with business attraction, retention, and expansion, as well as other economic development stakeholders.
- 1.1.5. Development and implementation of a *marketing and communications strategy* to broadly publicize the City's economic development programs, investments, and accomplishments/outcomes. This should include design of a new website which serves both public audiences and businesses seeking assistance.

1.2. Undertake a national search to hire a Deputy Director for Economic

Development. The appropriate candidate will have experience in professional economic development practice; in working at the intersection of economic development, physical development, and city planning; demonstrated ability as a skilled and credible communicator with stakeholders in the public, private, and education sectors; and possessing the advanced education and training necessary to manage a team of applied economic analysts, planners, and communications personnel (e.g., masters degree in policy analysis, applied economics, urban planning, or similar fields).

2. ***Consider creating a tripartite City Development Department comprising the Planning Division, a new Development Services Division, and the Economic Development Division.*** The department would include key development services functions currently managed by the Engineering and Construction Management Department. The City Development Department would fall under the current portfolio of the Deputy City Manager for Community Services. Each division would be led by a deputy director. Implementing this model would require the following actions:

- 2.1. ***Conduct a national search for a Director of City Development.*** This individual would have the chief responsibility for managing and integrating the planning, development services (including one-stop-shop), and economic development programs and initiatives of the City of El Paso, bringing physical and economic development into closer alignment. The appropriate candidate would have broad planning, commercial and real estate development, and economic development experience. Note that this position would replace the open

position currently designated as Director of Planning and Economic Development.

2.2. *Accelerate current proposed plans to create a one-stop-shop approach and case management system* for permitting and review, to be managed by the Development Services Division in collaboration with the Planning Division. Some progress on the specifications for this operation has already been made.

2.3. *Announce the City's economic development leadership team as part of the reorganization effort.* Under this model, that team would become the Director of City Development and the deputy directors of planning, development services, and economic development.

3. *Investigate the feasibility of a more significant reorganization that re-tools the City's portfolios under its four deputy city managers.* Before the shift of Engineering and Construction Management to Community Services, core development-related departments were split among three deputy city managers. Currently, transportation functions, including transportation planning and the management of the international bridges, both of which are central to the region's economic development, are either under-staffed or divided organizationally from other planning and development programs. While the specific reorganizations depend on factors not considered in this study, including resource and personnel constraints and other interagency management considerations, possibilities are to relocate and expand transportation planning under the proposed City Development Department or to undertake a more significant reorganization that re-aligns development-related and community services departments under different deputy city managers.

For example, one option would be to place the departments of Community and Human Development, City Development (Planning, Development Services, and Economic Development, as proposed in recommendation 2), Transportation, Mass Transit, International Bridges, and Aviation under the management of one deputy city manager and the remaining units—the Convention and Performing Arts Center, the Library, Museums and Cultural Affairs, Parks and Recreation, and the Zoo—under another deputy city manager. Such a model would make a stronger distinction between community services/program operations and development activities and establish a portfolio with the principle charge of integrating all development-related functions.¹⁹

¹⁹ The only development-related unit that would remain outside of a development focused DCM portfolio would be parks planning. The need to integrate parks planning with other planning

4. *Undertake a systematic review of City codes and procedures* to eliminate inconsistencies, unnecessary hurdles, and sources of bottlenecks in development review and permitting.
5. *Commission a review of the City's economic development incentives toolkit.* The study should be conducted by an appropriately knowledgeable and credible source, and should include analysis of how the tools intersect with inducements offered by the states of Texas and New Mexico. An objective and experienced consultant (or team of consultants) with public-sector side experience applying incentives in Texas should conduct the work, rather than strictly academic or site selection experts. The study should include assessment of the City's capacity to make good decisions in the disposition of incentives, including proper economic and fiscal impact assessment, and appropriate strategic targeting.
6. *Review the City's role as chief economic development agent for the County.* Work with the County to revisit and potentially increase its annual financial contribution, which is currently relatively low, so as to provide additional resources to support the City's effort to re-tool and strengthen the City/County economic development effort.
7. *Undertake a systematic review of the City's relationship with REDCo.* The above recommendations are contingent on the assumption that an external organization—currently REDCo—is delegated primary responsibility to act on the City's behalf in the areas of marketing and business attraction. Indeed the City has been operating effectively as if that were the case, even as it ceased providing funding to the organization. The result is an impasse: REDCo is the de facto lead organization rather than an openly endorsed and suitably resourced one. The impasse communicates a state of dysfunctionality in governance in El Paso that can only detract from the City and region's efforts to attract and grow businesses. If a review concludes that the City should not re-engage fully with REDCo, the City will need to make a significant investment to expand its internal capacity even more broadly to assume REDCo's current role, at least for the City itself, or to fund another organization. Clearly, those would be sub-optimal solutions to restructuring and re-tooling REDCo so that can regain the confidence and support of the City or replacing REDCo by a new organization. The ideal would be to initiate a restructuring of REDCo as part of a broader regional economic development effort.

and development activities could be addressed by locating the parks planning function in the Planning Division.

A Regional Approach

The Greater El Paso region lags many U.S. regions, and arguably best practice in economic development, with its lack of a comprehensive regional approach to economic development. The solution to this problem is not the City's alone to solve, nor is it within its power to solve. Indeed, little progress can be made without the commitment of major corporate, non-governmental, and education stakeholders. Those stakeholders must commit to help *lead* the region out of this problem. What is known is the following:

- The City's own economic development operation is currently badly weakened and under-staffed and it lacks the capacity to act as a major catalyst and partner for a regional effort. The recommendations in the previous section are intended to address this issue.
- REDCo's current remit, resources, and staffing levels are not constituted such that it could take the lead coordinative role in regional economic development. It is a marketing and recruiting organization, currently operating without financial support of its largest jurisdiction, the City of El Paso. Regardless of cause or fault, the fact is that the widespread lack of confidence in the work of REDCo is a serious problem standing in the way of moving the region's economic development mission forward.
- The level of willing and enthusiastic collaboration of key stakeholders on economic development issues in the region is very weak and trust is low. While the reasons are complex, it is clear that neither the City nor REDCo would be regarded as credible champions of a regional effort at the present time. And organizations like the Paso del Norte Group, which have the potential to play an influential role, have chosen not to do so.

There is a way forward, but it will require the collective exercise of community leadership:

8. ***Create a regional organization with the capability and credibility to serve as leader of greater El Paso's economic development strategy and a select set of programs.*** To achieve this goal, the major economic development stakeholders in El Paso's corporate, government, education, and non-profit sectors should commit to collaboration in a review of the structure, mission, effectiveness, and future potential of REDCo and a re-energized City Economic Development Division, as the area's two primary economic development organizations. Under the City and region's current model, which envisions a private organization as the primary lead for the region in economic development marketing, attraction and expansion, the review should be guided by the following principles:

- 8.1. ***Great effort should be made to avoid the proliferation of economic development organizations.*** This is a common problem in many regions. Greater El Paso

does not need more “cooks in the kitchen.” It needs *a single regional cook* that a majority of stakeholders are prepared to support strongly. There are a variety of options that could be considered:

- 8.1.1. REDCo’s remit could be expanded and its staffing, leadership, and governance reformed to deliver a broader set of strategic planning functions and economic development programs;
- 8.1.2. REDCo and the El Paso Chamber of Commerce could be re-merged and the new organization reformed and expanded to assume the strategic planning role;
- 8.1.3. The governance and operating structure of the Paso del Norte Group could be reformed so that it could properly represent all public, private, and civic stakeholders as the region’s lead economic development organization with responsibility for leading a community effort to create a regional strategic economic development plan, continuously updating the plan in partnership with all stakeholders, and serving as a venue for the collaboration and coordination of economic development efforts by various organizations and jurisdictions. Under this scenario, a reformed and re-invigorated REDCo might continue to provide marketing, attraction, expansion and retention programs with the financial support of investing jurisdictions and subject to performance goals in the regional plan.

Note that under any of the options, the charge of the lead regional organization would not be to create, maintain, and attempt to implement an economic strategy in isolation. Putting governance and accountability structures in place so that the organization serves as champion, convener, and coordinator of collaborative, multi-organizational approach is essential.

- 8.2. *A reconfigured regional organization should be the delegated lead in marketing, attraction and expansion, or have oversight of those functions.* To meet this mission, its governance, leadership, and staff must have the credibility in both the corporate and government sectors in greater El Paso.
- 8.3. *The regional organization would also undertake a set of business retention programs, or oversee them, a role currently played by the City.* An organization that is effective in recruitment and expansion will, in the course of its work, be gathering critical information to support retention programs. The separation of these activities between the City and REDCo has not proven to work well and should be abandoned.
- 8.4. *The governance of the regional organization would represent all key stakeholders and investors* (co-funders) and have a majority corporate membership. The many specialized economic development, community

development, and business advocacy organizations in the region are important partners.

- 8.5. *The organization would have the capability to lead a collaborative regional visioning and strategic planning process that engages citizens, organizations, and other stakeholders.* That process would be continually revisited and updated, with results helping to inform the activities of the City's Economic Development Division; the regional organization's own programs in marketing attraction, expansion, and retention; and the programs of more specialized economic development-related organizations in the region.
- 8.6. *The organization should be configured and staffed to serve as the region's chief economic advocate in state and federal policy debates and in competitions for state and federal resources.* This is a critical role that many regional economic development alliances have begun to play (see, for example, the Greater Houston Partnership), in recognition that the state and federal governments' policies, infrastructure investment decisions, and other actions have significant impacts on regions' development trajectories. Note that this role is different from—and broader than—a business advocacy role. The latter is typically the appropriate focus of area chambers of commerce.
- 8.7. *The organization would seek to establish a partnership or alliance with a similarly configured organization in Ciudad Juárez.* A longer run objective should be to build stronger ties and economic and workforce development cooperation across the border.
- 8.8. *A clear mission and set of delegated responsibilities for the organization should be accompanied by appropriate metrics of success and mandated regular performance review.* While individual industrial development projects must be pursued with discretion and a high level of confidentiality, such protections do not extend to overall organizational performance. Transparency in the organization's activities, regular dissemination of performance metrics, and a high level of communication with all stakeholders about ongoing activities are critical for maintaining the organization's credibility as the lead agent.

Appendix Table 1: Individuals Interviewed

Mr. Richard Adaauto, Executive Vice President, University of Texas at El Paso
Yolanda Chávez Ahner, Vice President, El Paso Community College
Mr. David Almonte, El Paso Deputy City Manager
Mr. Richard Amstater, RJL Real Estate Consultants
Mr. Robert Ayoub, President, MIMCO, Inc.
Mr. Bob Cook, President, El Paso Regional Economic Development Corporation
Honorable John Cook, Mayor of El Paso
Mr. Richard Dayoub, President & CEO, Greater El Paso Chamber of Commerce
Ms. Myrna Deckert, CEO, Paso del Norte Health Foundation
Jackie Mitchell Edwards, CEO, Paso del Norte Group
José Luis Mauricio Esparza, President, La Red
Tripper Goodman, President & CEO, Goodman Group
County Commissioner Dan Haggerty
Ms. Deborah Hamlyn, Deputy City Manager, City of El Paso
Mr. Woody Hunt, Chairman & CEO, Hunt Companies, Inc.
Mr. Lance Levine, MFI International
Mr. William Lilly, El Paso Director of Community & Human Development
Mr. Mathew McElroy, El Paso Deputy Director of Planning
Dr. Charles Miller, Associate Dean for Research, Texas Tech University Health Science Center
Dr. Diana Natalicio, President, University of Texas at El Paso
Ms. Cortney Niland, El Paso City Representative
Mr. Steve Ortega, El Paso City Representative
Mr. Roman Ortiz, CEO, Project ARRIBA
Ms. Cindy Ramos-Davidson, CEO, El Paso Hispanic Chamber of Commerce
Lorenzo Reyes, Jr., CEO, Workforce Solutions Upper Rio Grande
Ms. Verónica Rosales, Executive Director, El Paso Downtown Management District
Mr. Gerald Rubin, President & CEO, Helen of Troy
Mr. Bill Sanders, Director, Verde Realty
Mr. Douglas Schwartz, Southwest Land Development Services, Inc.
Ms. Emma Schwartz, Medical Center of the Americas Foundation
Ms. Jane Shang, El Paso Deputy City Manager, Mobility Services
Mr. William Studer, Jr., Deputy City Manager
Colonel Joseph Simonelli, Garrison Commander, Fort Bliss
Dr. Gary Williams, Director, Center for Research Entrepreneurship & Innovative Enterprises, UTEP
Ms. Joyce Wilson, El Paso City Manager
Economic Development Division Staff
Planning Division Staff
Mayor's Lyceum Cabinet Members

Appendix Table 2

| City | Planning & Economic Development: City | Economic Development: Region | Additional Details |
|---|--|--|--|
| Denver, CO (Strong mayor-council) | <p>City of Denver Department of Community Planning and Development</p> <ul style="list-style-type: none"> The Manager is a member of the Mayor's Cabinet. Provides planning, zoning, construction permit and inspection services. Oversees Development Services, a one-stop shop for all land development construction projects; assistance with zoning, plan review, building permits, construction, and inspection for commercial and residential projects. <p>City of Denver Office of Economic Development</p> <ul style="list-style-type: none"> Located within the Mayor's Office. Acts as designated city liaison and partner to the State Office of Economic Development & International Trade and the Metro Denver Economic Development Corporation. Role is envisioned as community economic development, thus including housing, neighbourhood revitalization, and economic development in its remit. Programs and initiatives include: small business financing; regulatory assistance; employee recruitment assistance; Enterprise Zone tax credit assistance; connection to city contracting opportunities for small and disadvantaged businesses; finance assistance for residential housing; technical assistance for neighbourhood revitalization; asset management and compliance assistance; finance assistance for developers. | <p>Metro Denver Economic Development Corporation</p> <ul style="list-style-type: none"> An affiliate of the Denver Metro Chamber of Commerce. 12 staff, president and CEO is VP of Denver Metro Chamber of Commerce. Seventy partners: Area cities, counties, and economic development organizations in the seven-county Denver Metropolitan Area and the two-county Northern Colorado region. Governed by a board of directors comprising all investors in the EDC. Partners adhere to a code of ethics as underpinning to regional collaboration, as a means of controlling interjurisdictional competition. Funding derives from private sector partners, cities, counties. Serves as an advocate for Metro Denver in state and federal government. Coordinates strategic planning, cluster initiatives, strategic analysis of area economy and economic trends; markets the region; undertakes foreign trade missions; leads business expansion, relocation, and new location efforts; creates and disseminates regional economic profiles. | <p>Model: Comprehensive city economic development effort with liaison to regional economic development organization, the Metro Denver Economic Development Corporation.</p> <p>The directors of the Office of Economic Development within the Mayor's Office, and Development Services, within the Department of Community Planning and Development, are the City's main economic development leadership team, working in collaboration with the Metro Denver Economic Development Corporation.</p> |

| Appendix Table 2 | | | |
|---------------------------------------|--|---|--|
| City | Planning & Economic Development: City | Economic Development: Region | Additional Details |
| | <ul style="list-style-type: none"> Operates the Denver Workforce Centers. Operates the Denver Business Assistance Center, a one stop shop for assisting business with licensing, permitting, regulations. Undertakes a business retention and expansion program that surveys Denver businesses to assess needs. Developed the city's Neighborhood Revitalization Program and Denver Neighborhood Stabilization Program. Manages Denver Office of Strategic Partnerships, a liaison between City of Denver and non-profit sector. Acts as city liaison and partner to State Office of Economic Development and International Trade and the Metro Denver Economic Development Corporation. | | |
| Houston, TX (strong mayor-council) | City of Houston Department of Planning & Development <ul style="list-style-type: none"> Organized in the following divisions: Geographic Information Systems, Management Services, Development Services, Community Sustainability, Public Policy Analysis. Development Services: Site plan review, parking regulation and landscaping regulations, coordination with transportation planning. Community Sustainability: Long range land | Greater Houston Partnership <ul style="list-style-type: none"> Formed in 1989 from the merger of the Houston Chamber of Commerce, the Houston Economic Development Council, and the Houston World Trade Association. Represents 10 county Houston region. 2,100 business members; 85 staff. Recruitment, expansion support; strategic planning; marketing; state legislative agenda and advocacy for the region at state and federal policy levels. Center for Houston's Future | Model: Selective city economic development functions (one-stop support, incentives) with core economic development roles delegated to regional organization with broad remit. |

| Appendix Table 2 | | | |
|--|---|---|--|
| City | Planning & Economic Development: City | Economic Development: Region | Additional Details |
| | <p>use planning and regulation, demographic analysis.</p> <p>City of Houston Finance Department, Economic Development Division</p> <ul style="list-style-type: none"> Develops, implements, and manages city's tax incentives programs, including TIF <p>One Stop Business Center</p> <ul style="list-style-type: none"> Located in the mayor's office. Assistance with city permitting, business planning, starting a small business. <p>Office of Business Opportunity</p> <ul style="list-style-type: none"> Promotes growth minority, women-owned and disadvantaged business enterprises through contracting and procurement support (e.g., hire first program). | <ul style="list-style-type: none"> Independent 501(c)(3) formed as a research organization of the Greater Houston Partnership Long-range strategic and scenario planning, for greater Houston region | |
| Kansas City, MO (council-manager) | <p>City of Kansas City Planning and Development Department</p> <ul style="list-style-type: none"> Focus on planning and land use development and out-sourcing of economic development to the Economic Development Corporation of Kansas City. Staff to the Planning, Zoning and Economic Development Committee of the City Council, the City Plan Commission, the Board of Zoning Adjustment, the Landmarks Commission, the Brownfields Commission, and the Building and Fire Codes Board of Appeals. | <p>Economic Development Corporation of Kansas City</p> <ul style="list-style-type: none"> Non-profit corporation with approximately 30 staff Operates as the city's designated economic development organization, in a direct out-sourcing arrangement. Manages several statutory redevelopment agencies: the Tax Increment Financing Commission, the Downtown Economic Stimulus Authority, the Land Clearance for Redevelopment Authority, the Enhanced Enterprise Zone Boards, the Port Authority and the EDC Loan Corporation. <p>Kansas City Area Development Council</p> <ul style="list-style-type: none"> Private, non-profit representing economic interests of two state, 18-county region of greater Kansas City. | <p>Model: City economic development functions out-sourced to external organization.</p> <p>The EDC is now in turmoil, with major changes in the structure of the organization being contemplated. The City may re-take control over economic development functions.</p> |

| Appendix Table 2 | | | |
|--|---|---|---|
| City | Planning & Economic Development: City | Economic Development: Region | Additional Details |
| | | <ul style="list-style-type: none"> Board of directors is made up of corporate, higher education, and government officials. Regional branding, marketing and promotion, relocation assistance. | |
| Milwaukee, WI (mayor-council, strong mayor) | City of Milwaukee Department of City Development <ul style="list-style-type: none"> Commissioner reports to the mayor. Oversees business development, real estate development, planning, permitting, and public housing. Organized as three major services: <ul style="list-style-type: none"> <i>Economic Development</i>: “Administer Tax Incremental Financing program, support private development investment, small business loans through MEDC, façade grants, retail investment grants, support to BIDs, develop and market industrial corridors, home improvement and infill housing, development permitting and plan review, upgrade streets in neighborhood commercial districts, prepare and market sites for new development, support development of market rate housing, sell city owned real estate for development and brownfield redevelopment” <i>Federally Assisted Housing</i> <i>Land Use and Policy Planning</i>: “Prepare citywide Comprehensive Plan elements, prepare neighborhood land use and redevelopment plans to guide investment, administer Milwaukee's zoning ordinance, | Metropolitan Milwaukee Association of Commerce <ul style="list-style-type: none"> Business membership organization (chamber) and advocate for greater Milwaukee business at local, state, and federal levels. Milwaukee Development Corporation <ul style="list-style-type: none"> Originally the Milwaukee Redevelopment Corporation. An affiliate of the Metropolitan Milwaukee Chamber of Commerce. Between 1973 and 2003, focused on marshalling private sector resources to revitalize downtown. After 2003, was renamed and remit expanded to include attraction, retention, and expansion activities for the region. Milwaukee 7 Economic Development Partnership <ul style="list-style-type: none"> A regional visioning and strategic planning platform for the seven counties of southeastern Wisconsin. Launched in 2005. Serves a comprehensive regional economic development planning function. Funded by public and private sector sources, including State of Wisconsin. Partners governed by a development code of ethics, to enhance interjurisdictional cooperation and trust. Governed by a council comprised of corporate, government, utility, and education officials. Operating entity is the Milwaukee Development | Model : Strong city economic development function with loose regional (inter-jurisdictional) collaboration and strategic planning. Historic emphasis on revitalization and real estate development. Milwaukee 7 initiative represents a significant shift in Milwaukee toward regional collaborative and comprehensive approach in economic development. |

| Appendix Table 2 | | | |
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| City | Planning & Economic Development: City | Economic Development: Region | Additional Details |
| | <p>data analysis and policy development, design guidance for city assisted development and redevelopment, and staff support for the City Plan Commission and Historic Preservation Commission.</p> <ul style="list-style-type: none"> Operates the Milwaukee Development Center, a one-stop-shop for permitting and plan review, zoning compliance. | <p>Corporation.</p> <ul style="list-style-type: none"> Staffing links to staff in regional partners. “Economic Positioning Strategy” includes five core elements: Minority and inner city business development; technology transfer and business generation; business expansion, retention, and attraction; regional identity; and talent attraction, retention, and workforce development. | |
| San Antonio, TX (council-manager) | <p>City of San Antonio Department of Planning and Community Development</p> <ul style="list-style-type: none"> Reports to Assistant City Manager together with three other departments (Development Services and Code Enforcement, Office of Historic Preservation, and Library). Organized in two divisions: Planning and Community Development. Planning comprised of two divisions or organizations: City South Management Authority and Comprehensive Planning. Community Development is organized in three divisions: Community Reinvestment; Policy, Research and Outreach; and Housing Programs. <p>City of San Antonio Economic Development Department</p> <ul style="list-style-type: none"> Reports to Deputy City Manager along with four other departments or offices (Center City Development Office; Convention, Sports and Entertainment Facilities; Downtown Operations; and Office of Cultural Affairs). Organizes effort into three areas: Community Development (Center City Development Office, Fort Sam Houston Community | <p>The San Antonio Economic Development Foundation</p> <ul style="list-style-type: none"> Private, non-profit. Focus on recruitment. Recruitment, expansion, relocation assistance, industry targeting, economic studies, labor market analysis for relocating/expanding firms, specialized market research. | <p>Model: Medium to strong city economic development function with relocation and expansion roles delegated to San Antonio Economic Development Foundation. Large number of city departments or offices with some economic development-related remit and evidence of overlap in community development functions.</p> <p>Discussion initiated in 2010 to consider restructuring economic development to create a more unified economic development effort, centered around the San Antonio Economic Development Foundation. This would presumably involve scaling back some current city functions and reducing number of other non-city organizations.</p> |

Appendix Table 2

| City | Planning & Economic Development: City | Economic Development: Region | Additional Details |
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| | <p>Development, Procurement Technical Assistance Center, City South Management Authority, Office of Military Affairs, San Antonio for Growth on the East Side, West Side Development Corporation), Industry Development, and Small Business.</p> <ul style="list-style-type: none"> • Industry Development: Provides grants, fee waivers, and tax exemptions to help attract, retain and expand companies in green tech, clean tech, corporate and regional headquarters, strategic target sectors • Small Business programs include procurement vendor assistance, contracting support, and liaison services. <p>City of San Antonio Center City Development Office</p> <ul style="list-style-type: none"> • Reports to same Deputy City Manager the Economic Development Department. • Facilitates center city revitalization and redevelopment (the Inner City Reinvestment/Infill Policy Area). • Manages 25 active Tax Increment Reinvestments Zones and designates new reinvestment zones. | | |
| Tucson, AZ (council-manager) | <p>City of Tucson Department of Planning & Development Services</p> <ul style="list-style-type: none"> • Permit, site, and development review; land use and building codes, procedures and enforcement. <p>City of Tucson Housing & Community Development Department</p> <ul style="list-style-type: none"> • Housing, community development, and social services programs; code complaint | <p>Tucson Regional Economic Opportunities, Inc. (TREO)</p> <ul style="list-style-type: none"> • Private, non-profit corporation established in 2005 to provide a unified, coordinated economic development approach for region. • Acknowledged lead economic development agency for the greater Tucson area. • Partners include Pima County, City of Tucson, City of South Tucson, Town of Oro Valley, Town of Marana, City of Sierra Vista, City of Benson, and Town of Sahuarita. | <p><i>Model:</i> Limited city economic development function with reliance on regional organization for core economic development functions and strategic planning.</p> <p>TREO led the development of a strategic plan in 2007 that includes workforce development, education, city center revitalization, balanced</p> |

| Appendix Table 2 | | | |
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| | <p>investigations; neighbourhood assistance; community profiling and economic demographic analysis.</p> | <ul style="list-style-type: none"> Activities include recruitment, retention, expansion, industry targeting, marketing, assembly of site selection data, community profiling, visioning and strategic planning. Coordination with chambers and other service providers in areas of business services, workforce assistance, training, networking, and educational programs. <p>Downtown Tucson Partnership</p> <ul style="list-style-type: none"> Non-profit corporation, charged with acting as a catalyst for the re-development of Downtown. Created in 1998 to implement services for the Downtown Business Improvement District. <p>Metropolitan Pima Alliance</p> <ul style="list-style-type: none"> Alliance of business, government and non-profit organizations, including builders, chambers of commerce, realtors, and utilities contractors. A forum for discussion of land use building and development public policies. | <p>growth, and governance (including the objective of creating a one-stop land use and development permitting function).</p> <p>TREO's efforts to ease permitting and building process has met with mixed results. TREO and Tucson Chamber of Commerce remain competitive with one another and there are concerns that both were caught flatfooted when Raytheon chose to expand in Alabama rather than Tucson in 2010. Currently some discussion of merging Chamber and TREO.</p> |